

## Dilemmas of Joint Patent Ownership

Provide a clear understanding of the parties' expectations

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**A**cross many industries, it is becoming increasingly less common for a single organization to maintain the internal infrastructure and staff for all essential aspects of their business. Many companies are outsourcing even their key business functions and the trend of forming strategic alliances, partnerships and joint ventures in order to commercialize and bring to market new technologies is becoming more commonplace.

This trend is particularly apparent in technology and science industries, whose companies rely upon each other's expertise in the research and development of new products, ranging from electronic devices to pharmaceutical drug candidates. When entering into any type of collaboration, it is essential to establish the disposition of potential intellectual property that may be developed by the parties at the forefront in order to provide a clear understanding of the parties' expectations.

Dividing ownership in co-developed intellectual property equally among all participants of the joint endeavor may

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appear to be the most equitable manner to handle this issue. However, this solution can cause many unexpected twists down the road that are completely unanticipated and unintended by the participants. Therefore, it would behoove the parties to understand the nuances of joint ownership, as well as to explore alternative options in order to meet the best interests of the collaboration.

One important concept to consider with joint ownership of patents is that patent ownership is based on inventorship. Patent inventorship is based on the claims, i.e., the numbered paragraphs at the end of a patent that sets forth the "meets and bounds" of the invention. Patents typically have multiple claims, each with varying scope and significance. In order to be named as an inventor, it is only necessary to have contributed to at least one of the claims, not all of them. Inventorship can play an important role in patent ownership as under U.S. Patent laws, each inventor shall have an undivided interest in the patent. Therefore an inventor who contributed an insubstantial amount in a joint project would have an undivided interest equal to a party who was a major contributor and the driving force behind the invention. By way of example, language in an agreement may indicate that inventions created solely by Company A are owned by Company A, inventions created solely by Company B are owned by Company B, and inventions made by

both Company A and Company B will be jointly owned. Thus, there is the possibility that an inventor from Company A whose only contribution was a single narrow claim, could be named as an inventor to a patent application largely based on the contributions of Company B.

Regardless of the relative inventive contributions of each company, joint ownership in and of itself may have downfalls. 35 U.S.C. Section 262 states that "[i]n the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners." Therefore, unless stated otherwise, an owner of a patent, even one who only contributed to a minor aspect of the invention, can assign, license and practice the entire scope of the invention disclosed in all of the claims of the patent without the consent or approval of the other owners.

The ability for each owner to freely assign or license the patented invention can create a host of problems for either contributor to the technology. For example, using the above scenario, Company A can enter into negotiations with a third party in order to license the patented technology, without Company B's approval, or even knowledge. If the third party is a competitor of Company B, such licensing can result in the third-party competitor obtaining the rights to a patent that Company B filed with the intent to stifle

competition. Such a scenario would defeat the intent and purpose of Company B filing the patent. Also, if the third party is savvy and aware of the existence of the joint ownership arrangement, the third party is free to conduct simultaneous negotiations with the other patent owner. In this situation, the third party can play each company against each other (and to the detriment of each other) in order to obtain the best terms for themselves, but potentially resulting in a depreciation of the value of the patent. Also, without the consent of the other owners, a party cannot offer an exclusive license to a third party as the other owners are free and clear to license to any party on their own. This can further depreciate the patent asset as a third party may not wish to pay a premium for anything less than exclusive rights.

Another factor to consider is the effect of joint patent ownership in an international context. In today's global economy it is important that agreements between parties be consistently enforced in various countries. However, laws vary between countries. For example, the laws of Japan and certain European countries are not consistent with the United States with respect to joint ownership of intellectual property. In these countries, any joint owner is free to commercialize the technology underlying the patent for their own benefit similar to the U.S., however, the assent of all joint owners is essential in order to allow a party to exploit the technology for the benefit of a third party.

Another issue of joint patent ownership is one that can arise during infringement litigation. If a patent owner wishes to allege infringement of their patent, they

must have the co-owner join the lawsuit. Otherwise, the party will not have proper standing. A patent owner without proper standing to sue has no leverage in negotiations and essentially has no way to enforce their rights.

There are measures that can be taken to minimize the potential problems associated with joint patent ownership. These measures can include filing separate patent applications or having the parties enter into "an agreement to the contrary," in accordance with 35 U.S.C. Section 262.

Filing separate patent applications with claims directed only to the contributions of the inventive entity of the respective party can avoid many of these issues, but can thwart the overall intent of the parties entering into such collaborations in the first place. By filing separate patent applications, the party who owns the patent would be able to transact with third parties without worry of undercutting by the other party. However, one party may need the benefit of the other party's patent in order to realize the benefits of the arrangement. The same can hold true when a third party seeks to obtain a license, as it may need to procure licenses from each party in order to be able to exploit the benefits of the invention. Also, given how the claims of a patent application are typically amended during patent prosecution, it can be painstaking to assure that each invention be maintained in separate applications without overlap. Failure to maintain proper inventorship can have dire consequences, as a patent may be held invalid if inventorship is not correct under 35 U.S.C. Section 102(f), which states in part "a person shall be entitled to a patent unless . . . he did not himself invent

the subject matter sought to be patented."

Creating an agreement which gives one party full ownership of all jointly developed intellectual property, with a license back to the other party, is also a way to circumvent these issues. At first blush, such an arrangement may not appear to be equitable for the nonowner licensee. However, it should be remembered that many collaborations are situations wherein one party receives compensation in order to provide outsourced services to the other party. In such situations the compensation makes the licensee whole while the licensor/owner has the rights to exploit the co-invented technology. This is similar to a "work for hire" or employer/employee-type relationship.

In joint ventures where both parties are seeking to exploit and utilize the co-developed technology, another option is to assign ownership of any resultant patent to a newly formed company. The intent of the newly formed company would be to capitalize on the new technology for the benefit of the parties to the joint venture. In these situations, the board of the new company would include members from each participating company to assure that decisions are being made for the mutual benefit of the parties.

The proper arrangement of the disposition of intellectual property in collaborations ultimately depends on the responsibilities and expectations of the participants and should be taken into account at the time of the agreement. Failure to properly plan for such future events may lead to the failure of the collaboration along with the accompanying loss of invested time and resources. ■